

1401 Main Street, Suite 900



Phone: (803) 737-0800

[jnelson@regstaff.sc.gov](mailto:jnelson@regstaff.sc.gov)

*Jeffrey M. Nelson*  
*Chief Legal Officer*

September 25, 2018

**VIA ELECTRONIC FILING**

Jocelyn G. Boyd, Esquire  
 Chief Clerk & Administrator  
 Public Service Commission of South Carolina  
 101 Executive Center Drive, Suite 100  
 Columbia, South Carolina 29210

RE: Application of Carolina Water Service, Incorporated for Approval of a Satellite  
 Sewer System Agreement with the City of Columbia

**Docket No. 2018-256-S**

Dear Ms. Boyd:

Please allow this letter to serve as notification that the Office of Regulatory Staff ("ORS") has reviewed and discussed with Carolina Water Service, Incorporated ("CWS" or "Company") personnel the Company's application for approval of a satellite sewer system agreement with the City of Columbia ("City") for its Friarsgate sewer system. Approximately 3,149 residential premises (3,228 single family equivalent) are served by the Friarsgate sewer system in Irmo, South Carolina.

The Company has requested interconnection in accordance with the terms outlined in their NPDES Permit No. SC0036137 which require interconnection with the City's regional sewerage system once adequate capacity is available. The Friarsgate sewer system is currently operating under DHEC Consent Order 16-039-W. Interconnection of the Friarsgate sewer system will eliminate the discharge of treated wastewater from the facility into the Saluda River.

CWS and the City have negotiated an agreement whereby the City will provide sewer treatment service to CWS. Pursuant to the agreement, CWS will transmit wastewater collected in the satellite sewer system to the City's Metro Wastewater Treatment Plant for treatment and discharge under the City's permit. The City will charge CWS a volumetric wholesale rate equal to the inside City rate plus 5%, which is currently an adjusted rate of \$4.14 per hundred cubic feet (\$5.53 per thousand gallons). The volumetric rate is subject to change when the City makes annual rate adjustments.

Customers are currently charged \$65.77 for monthly sewer service. The interconnection will not change sewer rates for customers at this time; however, in the next general rate proceeding, CWS may include both the capital costs to interconnect the Friarsgate sewer system and the wastewater treatment charges from the City for review by the Commission in its determination of the monthly sewer service rate for all customers. The Company's estimates of how much the interconnection will cost is not complete at this time. However, the expected completion date of the interconnection is the first quarter of 2019.

In addition to discussing the project with ORS, CWS provided information to demonstrate that the annual flow from the Friarsgate sewer system is approximately 221,737,500 gallons. At the current rate charged by the City and using the information provided by CWS, the annual treatment cost billed to CWS by the City of would be approximately \$1,227,264. This equates to a cost of approximately \$380 annually (or \$31.68 per month) per single family equivalent served in the Friarsgate community. The estimated portion of rate base to be retired is \$6,938,005. The Company has also requested an accelerated depreciation schedule for this retired asset to be determined in the next general rate proceeding.

	<u>O&amp;M</u>	
Current Friarsgate Operations	(\$1,327,739)	
Estimated O&M After Interconnection	\$607,970	
Proposal from Columbia Water	<u>\$1,227,264</u>	Flow at \$5.53 per thousand gallons from City of Columbia
<b>Difference in O&amp;M Costs</b>	<b>\$507,495</b>	Additional cost to operate

<u>Other Considerations</u>
Rate Base to Retire and Accelerate Depreciation*
\$6,938,005

\*Decommission costs will be added to the rate base to be retired. These costs are not known yet.

While ORS does not object to the Company's application for approval of the interconnection, ORS requests the Commission consider the following conditions to protect the public interest:

1. ORS recommends that CWS promptly take all necessary measures to improve and address inflow and infiltration in the Friarsgate collection system such that ratepayers should not pay additional wastewater treatment charges for excessive inflow and infiltration. Also, ORS recommends that the Company be required to report on a quarterly basis the amount of flow measured and billed for the Friarsgate system and the number of active sewer customers.
2. ORS recommends that CWS be required to conduct vacancy surveys that are not entirely reliant on CWS' Customer Care & Billing system at least annually beginning on the first

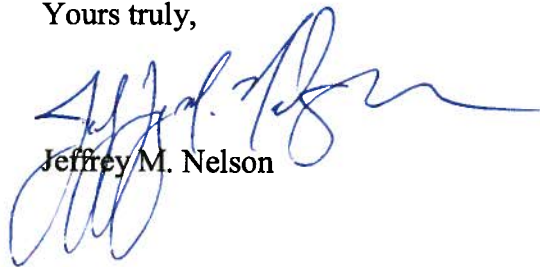
Letter-Jocelyn G. Boyd  
Page 3 of 3  
September 25, 2018

anniversary of the order approving this interconnection request and that the results be reported to the PSC and ORS within 30 days upon completion of the review.

ORS's position is predicated on the basis that the issuance of an Order in this matter will not preclude the ORS, the Commission, or any other party, from addressing any issue related to this interconnection including but not limited to the reasonableness of the costs, the retirement of assets, inflow and infiltration, and any return sought in a subsequent rate case or other proceeding.

If you have any questions, please do not hesitate to contact me

Yours truly,

A handwritten signature in blue ink, appearing to read "Jeffrey M. Nelson", is written over the typed name.

Jeffrey M. Nelson

cc: Joseph Melchers, Esquire (via E-mail)  
All Parties of Record (via E-mail)